

Table 3-5.

Farm operator households and household income, by selected characteristics, 1997

<i>Item</i>	<i>Number of households</i>	<i>Average household income<sup>1</sup></i>	<i>Share from off-farm sources<sup>2</sup></i>
	Number	Dollars	Percent
All operator households	2,011,568	52,347	88.6
Household income class:			
Negative	151,543	-35,678	-33.3
0-\$9,999	178,539	5,302	213.3
\$10,000-\$24,999	398,564	17,438	112.5
\$25,000-\$49,999	591,897	36,116	94.7
\$50,000 and over	691,025	117,843	75.4
Operator major occupation:			
Farm or ranch work	756,299	48,314	60.8
Other	866,331	63,954	104.7
Retired	388,939	34,335	97.6
Operator age class:			
Under 35 years	153,470	50,842	89.0
35-44 years	378,549	48,597	86.3
45-54 years	503,402	65,194	89.0
55-64 years	423,229	51,795	86.9
65 years or older	552,918	44,058	91.0
Operator educational level:			
Less than high school	312,036	27,879	93.2
High school	870,210	47,750	86.8
Some college	448,285	50,652	87.2
College	381,037	84,877	90.6

<sup>1</sup>The household income of farm operator households includes the net cash farm income that accrues to the farm operation, less depreciation, as well as wages paid to household members for work on the farm, net income from farmland rentals, and net income from another farm business, plus all sources of off-farm income accruing to the household. In cases where the net income from the farm was shared by two or more households, the net cash income was allocated to the primary operator's household based on the share that the operator reported receiving.

<sup>2</sup>Income from off-farm sources is more than 100 percent of total household income if farm income is negative. Source: USDA, Economic Research Service, Resource Economics Division, 1997 Agricultural Resource Management Study.

## ■ Net Farm Income by State

Thirty-one of the 50 States experienced declines in net farm income of varying degrees in 1997 in contrast to the across-the-board increases experienced in the prior year. In order to retain perspective, remember that 1996 was truly an exceptional year with record yields for major crops and prices that remained unusually high. The value of crop production soared in 1996 reflecting rebounds in both acres harvested and yields for major crops.

Crop prices were much higher in the first half of 1996 relative to the same period in 1995 and tended to remain stable in the latter half of the year, despite the rebound in production. Corn and soybeans led the recovery, and the producers of these two crops, along with hogs, were among the principal beneficiaries of favorable prices. Previous growth in the economies of Southeast Asia translated into demand for U.S. agricultural products and helped to support commodity prices and boost farm income. These economies began to falter in the summer of 1997 and began to reduce their demand for imports of agricultural commodities.

In 1997, farmers faced contrasting production and market conditions depending on the types of commodities produced. Cattle producers experienced stable prices throughout the year at levels significantly above the lows of 1996 and benefitted from lower feed as a consequence of declining grain prices. Rising hog prices in the first half of 1997 led hog producers to step up production only to see prices drop once the extent of the production increase became known. Soybean producers experienced soaring prices in the first half of the year as world stocks dwindled but saw prices retreat in the latter half of the year, eventually returning to near beginning-year levels.

Wheat producers suffered perhaps the most market adversity in 1997. Market prices were low at the beginning of 1997 and declined throughout the year. A drop in demand for exports of U.S. wheat resulted from the depreciation in the currency values in many countries. This effectively reduced the demand for imports into the consuming countries and increased the competitive advantage of exporting countries.

Dairy prices were impacted by additional supplies of milk in States not traditionally known for dairy farming. California in particular has experienced a large increase in the production of milk. Expansion is occurring in large, dry-lot dairy operations that by all indications are among the lowest cost producers. Higher cost producers will have to reduce capacity to bring price and quantity into equilibrium. This process is not unlike what has been occurring in hog production for the last 5 years and what occurred in the broiler industry several decades ago.

The contrasting commodity situations yielded some distinctly different regional effects. Leading cattle States, particularly those with cow-calf operations, were the leaders in year-over-year gains in net farm income. Income was up more than 90 percent in Oklahoma and Wyoming. Income was down more than 50 percent in North Dakota (-90), Maine(-75), Wisconsin(-66), and New York(-51). The latter three States are traditional dairy-producing States. The North Dakota agricultural economy is heavily dependent on wheat sales, and producers suffered a one-third drop in production due to lower yields, giving farmers less to sell at lower prices.

California continues to lead the Nation in cash receipts and farm income, reflecting both its substantial land mass and its commodity mix, which is heavily weighted towards those with high value of production per acre. California's net farm income in 1997 slipped 1.7 percent to \$5.8 billion, down from \$5.9 billion in 1996. Iowa with \$3.7 billion, representing a reduction of 7 percent, maintained its position as the State with the second largest net farm income in 1997. Two additional States earned at least \$3.5 billion in net farm income for 1997—Texas (\$3.6 billion) and North Carolina (\$3.5 billion)—and three additional States exceeded \$2 billion—Georgia, Illinois, and Nebraska. In contrast, four States had their net farm income plummet in excess of 50 percent: North Dakota (-90), Maine (-75), Wisconsin (-66), and New

York (-51). The latter three States are in the northern tier of the traditional dairy States where producers may be among the higher cost producers. Short growing seasons and cold weather may put producers in the more northern latitudes at a comparative disadvantage to the more Southern States, in terms of costs per unit of output.

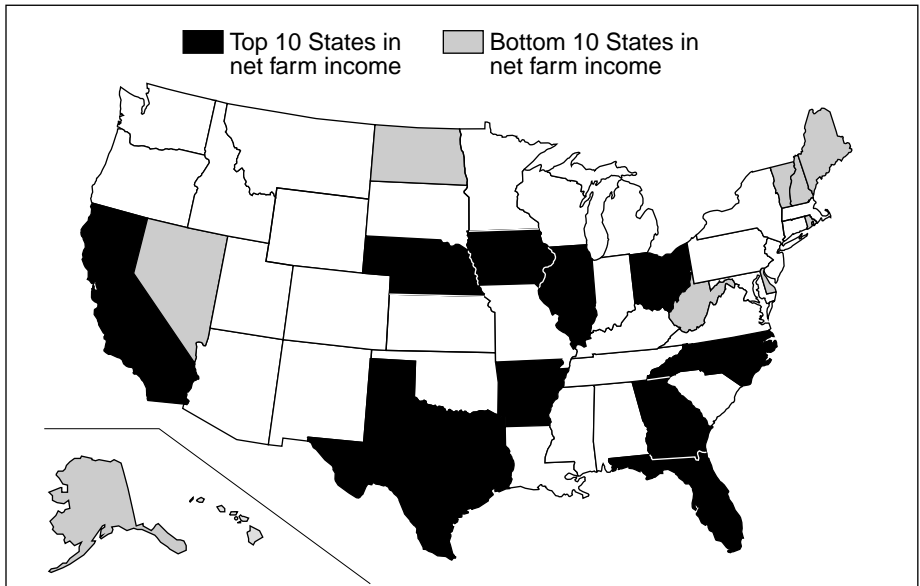
■ State Rankings by Cash Receipts

The top 10 States in cash receipts for all commodities in 1997 were California, Texas, Iowa, Nebraska, Illinois, Kansas, North Carolina, Minnesota, Florida, and Georgia. The share of total cash receipts derived from crop or livestock sales varied greatly among these 10 top-ranked States.

California led the Nation in crop sales with \$19 billion, and was the top producing State for 8 of the sector’s top 25 commodities: dairy products, greenhouse and nursery products, hay, grapes, tomatoes, lettuce, almonds, and strawberries. Milk and other commodities in which California is a leading producer tend to be perishable and expensive to transport, either because they are bulky and/or require special handling, such as refrigeration. Three-quarters of California’s farm sales were from crops; fruits and nuts equaled 30 percent, vegetables, 24 percent; and greenhouse and nursery, 9 percent. Florida’s pattern of cash receipts is similar to California , with vegetables, fruits and nuts, and greenhouse and nursery accounting for 69 percent of agricultural sales. By contrast, 61 percent of Texas’ cash receipts were from livestock, and 71 percent of that was cattle and calves. Over 8 percent of the Nation’s livestock

Figure 3-5.

Net farm income, 1997



Source: USDA, Economic Research Service, Resource Economics Division